DEMOCRATIC POLICY COMMITTEE

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THE LESSONS OF ENRON'S COLLAPSE:

Widespead Corporate Abuses Demand Real Solutions

The Lessons of Enron's Collapse: Widespread Corporate Abuses Demand Real Solutions

Enron is the story of the largest bankruptcy in U.S. history that has cost thousands of employees their jobs and their retirement. Enron, through a variety of accounting tricks relating to partnerships, inflated their profits and lowered their debt. They misled their employees investors and the general public about the company's financial condition. Once those off-the-book partnerships were exposed, the bottom dropped out, with Enron's stock plummeting from almost $80 to less than $1 a share. Enron executives reaped millions through these partnerships and by selling off stock before the demise, while Enron employees lost much of their retirement and investors lost millions.

Unfortunately, the collapse of Enron is not just an isolated corporate scandal, as some would have us believe. Corporate wrongdoing went unchecked by the regulatory mechanisms and legal structures currently intended to protect investors and employees. Former Securities and Exchange Commission (SEC) Chairman Arthur Levitt noted that Enron is an example of a systematic problem that could happen to any corporation.

It is also clearly a political scandal. While Enron was inflating its profit statements, Enron executives were pouring millions in campaign contributions into Republican campaigns. As President Bush's number #1 corporate patron, Enron's reach in the Bush administration appeared endless. The result of this unprecedented access was a GOP energy bill with 17 policies for Enron, a predominant role by Enron executives in selecting the nation's top energy regulator that would oversee Enron, and a GOP tax bill providing Enron a $254 million refund.

The Enron debacle has also exposed significant problems relating to pensions and corporate responsibility. Congressional Democrats are moving forward with a package of tough proposals to protect pensions and crackdown on corporate wrongdoers. Meanwhile, the President and Republicans have come forward with proposals that are far less aggressive. The most glaring inadequacy is that they fail to include the penalties necessary to stop future Enrons from occurring.

This report contains the following sections that explain the problems and propose solutions to the issues raised by the Enron debacle:

- Enron Misled Employees, Investors and the Public
- The Harm to Employees and Stockholders
- The Political Ties Linking GOP & Enron
- Enron Benefitted Greatly from its Political Ties
- Bush Investigations
- Democrats Work to Prevent future Enrons, while Republicans are for placebos proposals without real teeth

Enron Misled Its Employees, Investors, and the Public

Enron began in 1985 when Houston Natural Gas merged with Omaha, Neb.-based InterNorth to create the company to create the first nationwide natural gas pipeline system. During the 1990s, Enron moved into a trading business, beginning with natural gas and moving into electricity. In fact, Enron became the largest trader of electricity. By 2001, the energy giant was number 7 in the Fortune 500.

From 1993 to 1999, the executives and directors of Enron created a series of off-the-books partnerships that they used to hide millions in debt. Often employing complex financial structures, these partnerships, limited-liability companies, and other affiliates – named after Stars Wars characters Chewco, and JEDI, as well as vacation homes South Hampton – are incredibly murky and quite difficult to explain.

But one thing is quite certain: The partnerships hid hundreds of millions of dollars of losses and debt from public view. If only 3% of the money invested in these partnerships came from outside of Enron, then they could be considered separate from Enron. This was especially convenient because any debt from these partnerships could be kept off the company's balance sheet, even though Enron and its directors effectively controlled the partnerships.

Not only did these partnership hide the financial problems at Enron, but they also allowed a number of Enron executives to profit while doing so. That is because a number of Enron executives headed and partly owned some of the partnerships. For example, former Enron chief financial officer, Andrew Fastow, made more than $30 million from two partnerships that he ran – including LJM2, named after his wife and 2 children. Other Enron employees also profited greatly. An ally of Fastow at Enron, Micheal J. Kopper, made more than $10 million on the Chewco partnership. These partnerships raised huge conflicts of interest for the Enron executives.

Remarkably, all of these partnerships were approved by Enron's board of directors, and reviewed by the companies outside auditors and lawyers – Arthur Andersen and Vinson & Elkins.

On February, 2, 2002 an internal report by a three-member team from Enron's board of directors, led by University of Texas law school dean William Powers, concluded that "The managers created a web of complex outside partnerships that facilitated the 'manipulation of Enron's financial statements' and, through the partnerships 'were enriched by tens of millions of dollars they never should have received.'" **(*Washington Post*, 2/3/02)** The report went on to say:

- "These partnerships were used by Enron management to enter into transactions that it could not, or would not, do with unrelated commercial entities. Many of the most significant transactions apparently were designed to accomplish favorable financial statement results."

- “We believe these transactions resulted in Enron reporting earnings from the third quarter of 2000 through the third quarter of 2001 that were almost $1 billion higher than should have been reported.”

- "Enron engaged in transactions that had little economic substance and misstated Enron's financial results, and the disclosures Enron made to its shareholders and the public did not fully or accurately communicate relevant information," the report said. "That impulse to avoid public exposure..should have raised red flags for senior management, as well as for Enron's outside auditors and lawyers. Unfortunately, it apparently did not," the report said.

- “In virtually all of the transactions, Enron's accounting treatment was determined with extensive participation and structuring advice from Andersen, which Management reported to the Board. Enron's records show that Andersen billed Enron $5.7 million for advice in connection with the LJM and Chewco transactions alone, above and beyond its regular audit fees.”

Of course, auditor Arthur Andersen was earning millions from Enron in consulting fees at the same time it was responsible for financial oversight. According to public disclosures, Enron paid Arthur Andersen about $27 million for consulting services and about $25 million for audit services in 2000.

Knowing that their tangled web of deceit could only cover their losses so long, Enron executives were selling off their own stock. Enron executives sold about $275 million in Enron stock in 2001 before the company filed bankruptcy, in addition to $486 million they sold in 2000. Enron CEO Kenneth Lay made $20.7 million exercising Enron stock options in the first seven months of 2001.

At the same time, Enron executives continually encouraged employees to invest in Enron stock. When Executive Vice President Cindy Olson stood before an all-employees meeting in December 1999, a worker asked whether he should put all his 401(k) retirement-plan money into Enron stock. She replied, "Absolutely." In a pair of e-mails to his employees in August, 2001, Chairman Ken Lay touted the company's stock and declared that the Houston-based energy-trading giant's growth "has never been more certain." Even as late as the end of September, ABC News reported that Lay told employees that Enron stock was an “incredible bargain” and would rise in value by 800 percent over the next 10 years.

As the fall progressed, the house of cards that the Enron executives had created began to fall. And yet, Enron employees were prevented from selling their Enron stock, just as the stock price plummeted. Known as a “lock-down,” Enron officials prevented employees from selling their stock for two weeks while administrative changes were being made to the employee retirement plan. During that time, Enron’s stock price dropped by more than one-third. Further, Enron scheduled the lock-down in April – months in advance, but failed notify employees until late September – just a short time before the lock-down.

In December, immediately after declaring bankruptcy, Enron laid off more than 4,000 employees. In some cases, employees were given 30 minutes to clean out their desks and exit the building. In another particularly egregious instance, employees were asked to waive legal claims against Enron and its handling of the employees 401(k) plan in exchange for their severance payments.

For a timeline of the Enron collapse, see the appendix.

The Harm to Employees & Stockholders

As discussed above, Enron's investors and its employees were left out in the cold while the company's executives cashed out to the tune of hundreds of millions of dollars.

Also astounding are losses suffered by state pension funds around the country as a result of Enron. From New York to California, firefighters, police, teachers and other state and municipal worker pension plans lost billions of dollars on Enron stock and bonds in their portfolios. A final tally of public pension losses tied to Enron's collapse will not be known until the second half of this year. A recent report shows cumulative losses from Enron-related investments at public pension funds across America total more than $1.5 billion.

See the appendix for a table of the early reports on what each state pension fund has lost due to Enron. The table on the next page gives a full accounting of the Enron scandal.

Issues are Not Limited to Enron

Following the collapse of Enron, there was a string of other corporate problems similar to those at Enron. Qwest was under fire for its accounting practices and found itself in a cash crunch. IBM was also criticized for accounting tricks and non-disclosure of the sale of a subsidiary.

The crisis at Enron has raised serious questions about soundness of the numbers and earnings reports that are fundamental to the stability of our economy. Arthur Levitt, who was chairman of the SEC. from 1993 until 2001, has argued that Enron's collapse exposed weaknesses in the entire system for policing American capital markets. "Financial statements, often, are not an accurate reflection of corporate performance, but rather a Potemkin village of deceit," Levitt said. "There is an emerging crisis of systemic confidence in our markets." ***(The New York Times, February 13, 2002)*** "What has failed is nothing less than the system for overseeing our capital markets." ***(The New York Times, January 25, 2002)***

A FULL ACCOUNTING:
THE COSTS AND BENEFITS OF ENRON

Benefits to Enron Executives and Insiders	***Costs to Enron Employees, Shareholders, and the Public***
29 Enron officials and director sold shares for $1.1 billion in the three years leading up to Enron's bankruptcy.[1] Enron senior executives and directors sold $275 million in Enron stock in 2001 before the company filed bankruptcy.[2] Enron CEO Kenneth Lay made $20.7 million exercising Enron stock options in the first seven months of 2001.[3]	15,000 current and former Enron employees lost as much as $1 billion in retirement savings.
Chief Financial Officer Andrew Fastow & another Enron employee Michael J. Kopper made more than $40 million on several of the off-the-book partnerships used to hide the fact that Enron was financially insolvent.	Public employees, including teachers, fire fighters and police, in more than 30 states have lost a minimum of $1.5 billion in retirement savings, according to preliminary data.[4] Press reports place the losses of pension funds between $5 billion and $10 billion.
Enron paid $55 million in bonuses about 550 corporate executives Nov. 30, two days before filing for bankruptcy.[5] This was on top of the $50 million in bonuses just weeks earlier.	4,500 Enron employees were laid off by Enron right after it announced its filing for bankruptcy. Many of these out of work employees must sue to get the company to pay more than the meager $4,500 severance.[6]

1. *Washington Post*, 12/6/01

2. *Washington Post*, 12/6/01

3. *New York Times*, 11/22/01

4. American Family Values Special Report, "Pensiongate: Enron Looted Public Pension Funds," 2/26/01

5. *Baltimore Sun,* 3/11/02

6. *Associated Press*, 1/10/02, *New York Times*, 12/6/01

Enron's Political Ties: A Shadow Government?

Enron's collapse into bankruptcy exposed not only its smoke and mirrors accounting methods, but also the full extent of Enron's influence in the federal government.

Over 50 high-level Bush administration officials have had meaningful ties to the now defunct energy company. For example, the Secretary of the Army Thomas E. White worked at Enron for nearly two decades, and he served as vice chairman of Enron Energy Services. The President's top economic advisor Lawrence B. Lindsey and Trade Representative Robert B. Zoellick served on Enron's advisory board. According to financial disclosure forms, at least 40 administration officials owned Enron stock. These officials include senior officials at the White House, the Departments of the Treasury, Commerce, and State, the U.S. Trade Representative's office and EPA. The President reportedly refers to Enron CEO Ken Lay by the affectionate nickname "Kenny Boy."

For a fuller understanding of just how far Enron's reach into the Bush administration goes, see the table in the appendix.

Enron Campaign Contributions to Bush, DeLay and GOP

So how exactly did Ken Lay and Enron have so much influence on George W. Bush, his White House, and congressional Republicans? The answer is simple: money.

Enron Corporation is President Bush's number-one career patron, having given him more money throughout his political career than any other contributor. Enron Corporation PAC, and Enron executives, employees and their family members contributed a total of $736,800 to President Bush from 1993 to 2001. Enron also contributed $250,000 to the Republican National Convention for its 2000 convention.

Kenneth and Linda Lay gave $276,500 to George W. Bush from 1993 to 2000, including $100,000 to the President's inaugural fund, $10,000 to his election recount fund and $40,000 to his 1999 State Victory Fund Committee.

But it was not just the Bush campaign that raked in Enron contributions. From 1989-2001, Enron Corporation PAC, and Enron executives, employees and their family members gave a total of $5,951,570 in hard and soft money to federal candidates and parties. Of this amount, 74% ($4,404,162) went to Republicans and 26% ($1,547,408) to Democrats.

More specifically, one of the top House Republican leaders has been a big beneficiary of Enron contributions and is deeply tied to Enron. Majority Whip Tom DeLay and his political network have collected more than $200,000 from Enron and its executives over the last seven years.

From 1989-2000, Majority Whip Tom DeLay has raked in more than $28,000 from Enron's PAC and employees for his congressional campaign. His PAC, Americans for a Republican Majority (ARMPAC) got $50,000 in soft money from Enron in 2001. Enron gave $10,000 in soft money to ARMPAC in 2000, and between 1995-2000 Enron and its employees gave $47,250 in hard money. Kenneth Lay gave $50,000 to Republican Majority Issues Committee in 2000 – another one of DeLay's fundraising operations. **(*Roll Call*, 2/25/02)**

Not only has Tom DeLay raised a lot of money from Enron, but his top staff have raked in Enron consulting fees. Ed Buckham, Karl Gallant and John Hoy were awarded a $750,000 contract by Americans for Affordable Electricity, an Enron-funded coalition, after DeLay recommended to Enron that they hire the team. **(*Roll Call*, 2/25/02)** His connections to Enron are so strong that "some call DeLay the 'congressman from Enron,'." ***(The National Journal June 3, 2000)***

What Enron Got for Its Political Contributions

Enron made out like a bandit, thanks to its extensive ties to the Bush administration and the GOP. The following chart summarizes the benefits that Enron has reaped in the past several years.

Date	Action	Enron Benefit
January, 2001	President Bush takes office and scraps Clinton executive orders limiting off-shore tax havens.	With 874 such entities already created and more to come, Enron moves all of their debt to these off-shore companies, hiding their losses for employees, investors, and the public.
January-June, 2001	Bush, his regulators, and congressional Republicans oppose price caps for consumers while Enron manipulates the market, causing the California energy crisis.	Enron reaps billions from an energy crisis they created.
Summer, 2001	Bush and DeLay push the energy bill through Congress with 17 specific provisions benefiting Enron.	These provisions stand to benefit Enron above and beyond any other company.
Summer-Fall, 2001	The Bush NSC team works to help Enron in India.	More proof of what a huge priority Enron was for every part of the Bush White House.
Fall, 2001	Bush and DeLay team up to push an 'economic stimulus' bill through the House.	Enron stands to reap a $254 million tax rebate.

Source: American Family Voices, www.thedailyenron.com

GOP Energy Plan

With an administration stocked with officials sympathetic to Enron's vision of a virtually unregulated energy marketplace, the job of shaping the Bush energy plan was the first priority. Enron's efforts were concentrated within Vice President Dick Cheney's Energy Task Force, which met and has kept its business cloaked in secrecy. (As such, the administration has vigorously fought the efforts of the General Accounting Office to get information about the Energy Task Force, including whose on the Energy Task Force and who they met with.)

But it is known that Lay had unfettered access to the task force, including at least one 30-minute meeting with Vice President Cheney himself during the crafting of the administration's energy report. (Secret Service records also show that Cheney met with Enron chairman and CEO Kenneth Lay again on February 22, 2001 and April 17, 2001 to discuss "energy policy matters.") Enron Corporation officials also met with Cheney's staff at least five times. Most recently, Enron officials also met with Cheney aides six days before the company announced bankruptcy.

When the energy report was issued it was peppered with policies, initiatives and issues dear to Enron. No fewer than 17 different policy initiatives in the Bush energy bill were policies that were advocated by or benefitted Enron. These included deregulation initiatives long promoted by Enron, support for trading in energy derivatives and proposals to facilitate natural gas projects.

Energy Regulator Appointments

One of the most egregious examples of Enron's vast influence over the Bush administration centers on the Federal Energy Regulatory Commission (FERC). Ken Lay played the predominant role to hand-pick the nation's top energy regulator - the chairman of FERC. Curtis Hébert Jr., who then held the post, said that Kenneth Lay offered him a deal: Lay said that if Hébert changed his negative views on electricity deregulation that would further Enron business, Enron would recommend he be kept in the post. In short order Hébert was out and Patrick Wood III, who had proved himself as Enron's friend at the Texas Public Utilities Commission, and a huge proponent of energy deregulation, was the new chairman of FERC. With the top post filled, Lay moved on to the remaining positions on the commission by providing both written and face-to-face input on the remaining FERC appointees.

Other benefits that Enron received are as follows:

- **Corporate Alternative Minimum Tax**. Enron was a leader of the lobbying campaign to repeal the corporate alternative minimum tax. In early October 2001, Mr. Lay personally telephoned OMB Director Mitch Daniels about this issue. The administration endorsed the House-passed stimulus bill which repealed the AMT, giving Enron a $254 million windfall.

- **<u>Opposition to Price Caps</u>**. On April 17, 2001, Enron CEO Ken Lay met with Vice President Cheney and discussed Enron's opposition to electricity price caps in California. The next day, the Vice President told the *Los Angeles Times* in a telephone call that he was strongly opposed to price caps.

- **<u>Offshore Tax Havens</u>**. In the spring of 2001, the Bush administration informed the Organization for Economic Cooperation and Development that it would not support the agreement negotiated by the Clinton administration to increase disclosure of offshore financial transactions. This action helped Enron continue to shield transactions and avoid tax liability through more than 800 offshore subsidiaries.

As the scandal exploded, the Bush administration was quick to distance itself from Enron. Today, the administration points with pride to the fact that when Enron executives sought help from administration officials as Enron's demise neared, no one lifted a finger to help them.

This still leaves the question of why Bush administration officials, many of whom had advance warning of Enron's impending disintegration, failed to do anything to help Enron's workers and shareholders. The Bush administration felt that Enron was so intertwined with the White House that the political liability of taking actions to help save the company would be worse that the ultimate fall-out of doing nothing. It's difficult to decide which is the greater offense.

But, the long and documented history of George W. Bush's relationship with Ken Lay and Enron argues convincingly that the administration's refusal to help, rather than a sign of propriety, was in fact simple recognition that Enron had gone from a political asset to a political liability.

Investigations

The administration has begun investigations through a variety of agencies and departments. For example on March 11, the federal agency that oversees commodity trading began investigating whether the collapsed Enron Corporation committed fraud or manipulated markets through improper trading.

However, because of the extensive Bush ties to Enron, there have been a number of top Bush administration officials who have been forced off of cases regarding Enron or Arthur Andersen because of conflicts of interest, including:

- Justice Department – Attorney General John Ascroft was forced to recuse himself from the investigation into the Enron scandal. In 2000, a political action committee run by Ashcroft received a $25,000 contribution from Enron CEO Kenneth Lay. Ashcroft's chief of staff David Ayres was also forced to recuse himself from the Justice Department investigation of Enron because of his involvement with the Ashcroft political action committee that received the $25,000 contribution in 2000. (CNN, 1/10/02; Bloomberg News, 2/5/02)

- Securities and Exchange Commission – While not formally recusing himself, Securities and Exchange Commission chairman Harvey Pitt decided against having any involvement with the SEC investigation of Arthur Andersen because of his previous experience representing the accounting firm in private practice. (CNN, 1/10/02; Bloomberg News, 2/5/02)

Democrats Work to Prevent Future Enrons: While Republican Plans Fail to Include Real Teeth

As indicated earlier, Enron is no isolated incident. There are serious problems in the law protecting pensions and ensuring corporate accountability. Democrats have been out front working to give employees the control and information they need to protect their pensions. Democrats have led the way on measures to beef up corporate accountability by making sure audits are truly independent and penalizing corporate executives for misleading employees shareholders and the public about their finances.

While Republican have lately talked a good game, they have failed to back up their proposals with strong legislative actions. The table on the next three pages compares the Democratic and Republican plans on retirement security and corporate accountability.

Democratic Plan:	**GOP Plan:**
Contains the pension protection and corporate responsibility measures that are key to preventing another Enron.	Fails to take the tough steps needed to prevent another Enron.
Gives employees the information and control they need to protect their pensions and penalizes employers for misleading employees about company stock.	Takes only half measures on pensions, fails to crack down on companies that mislead employees about their stock, and fails to give employees adequate information and control of their pensions.
Puts in place tough corporate responsibility and strict accounting provisions that ban accountants from providing consulting services and holds accountants liable for securities fraud. Establishes a strong regulatory body for the accounting industry -- increasing their ability to set standards, investigate and discipline audit firms.	Passes the buck on to the Securities and Exchange Commission to develop oversight and guidelines for corporate responsibility. Fails to include accountability proposals of Treasury Secretary O'Neill and Alan Greenspan to crackdown on corporate executives.
Includes tough penalties to make corporate executives, accountants and other professionals accountable for misleading the public or furthering securities fraud. For example, imposes stiff penalties of up to 10 years in jail for corporate executives who mislead the public.	Fails to put real teeth behind requirements.

Improve Pension Protection		
Enron Problem	**Democratic Plan:** (H.R. 3622, 3657, H.R.3840)	**GOP Plan:** (H.R. 3762, H.R.3669, Bush Plan)
As Enron stock plummeted last fall, Enron employees were given false information about the security of the company and their pension holdings.	Prohibits the employer or plan administrator from making any misleading statements to participants on the value of employer stock or other pension investment plans or from omitting relevant information. Significantly stiffens penalties for companies that violate pension laws.	No provision. No provision.
Employees were locked out of selling their Enron stock with no notice, and could not sell employer stock until age 55.	Gives employees more control of their pensions by permitting employees to sell company stock after 1 year, requires companies to give employees 30 days notice of a lockdown and limits lockdown periods to no more than 10 days.	Fails to give employees adequate control of their pensions. Requires them to keep company stock for 3 years and fails to limit the length the lockdown periods in which employees cannot sell stock.
Enron employees did not realize the financial conditions of the company.	Gives employees the right to equal representation on pension boards to keep an eye on their investments.	No provision.
Enron executives sold millions of dollars worth of company stock while encouraging employees to keep company stock in their retirement accounts or prohibiting employees from selling their 401(k) shares.	Bans CEO stock sales during the lockdown periods when employees cannot sell their 401(k) and pension-related holdings. Tax companies that fail to comply with this requirement. Requires corporate executives to notify pension plans and employees of insider sales of stock.	Similar, except fails to impose any penalties on companies that violate this provision. Similar, except it does not require notification to be as immediate.

Increase Corporate Responsibility		
Enron Problem	**Democratic Plan** (HR 3818 & HR 3970 *)*	**GOP Plan** (HR 3763, Bush Plan)
Used Partnerships that Enron effectively controlled to Hide Millions in Losses & Mislead Investors, Employees and the Public	Makes Corporate Executives Accountable, by requiring them to vouch for financial statements and imposing stiff penalties, up to 10 years in jail, for misleading the public	Similar, but fails to include penalties for failure to comply
Arthur Andersen, while providing auditing services, also made millions in other consulting business with Enron, raising questions about the objectivity of the audits.	Requires real auditor independence. Consulting for auditing clients will be banned, auditor rotation will be required every seven years, and the revolving door between auditor and corporate client will be firmly shut for a much needed two-year cooling off period. Ends Self-Policing. Establishes a strong regulatory body, with members outside of the industry, to oversee the accounting industry with investigative and oversight abilities to penalize those violates these new requirement. Makes accountants and other professionals liable for furthering securities fraud. Stops document shredding by requiring accounting firms to keep audit records for 7 years.	Includes weaker provisions on separating auditing from consulting, but does not include any of the other necessary provisions to make sure that audits are truly independent. Passes the responsibility on to the Securities and Exchange Commission to establish a regulatory board, and to spell out its responsibilities. No provision. No provision.

Appendix

Enron Timeline

December, 2000: Enron announces that president and chief operating officer Jeffrey Skilling will take over as chief executive in February. Kenneth Lay remains as chairman. Shares hit 52-week high of $84.87 on Dec. 28.

2001

April 17: Ken Lay and Vice President Cheney meet to discuss energy policy.

August 14: Skilling abruptly resigns after running the company for just six months; Lay becomes CEO again.

August 14 & 27: In a pair of e-mails to his employees, Lay touts the company's stock and declares that Enron's growth "has never been more certain."

August 15: Sherron Watkins, a vice president of corporate development, writes a memo to Ken Lay expressing concern that the company will "implode in a wave of accounting scandals."

September 17: Skilling sells 500 shares. As of the end of July, Lay has sold shares worth $21 million in 2001 alone.

September 26: Lay tells employees that Enron stock is an "incredible bargain" and will rise in value by 800 percent over the next 10 years.

Oct. 16: Enron reports a $638 million third-quarter loss and discloses a $1.2 billion reduction in shareholder equity, partly related to partnerships run by chief financial officer Andrew Fastow.

Oct. 24: Enron ousts Fastow.

Oct. 28-29: Lay talks to Treasury Secretary O'Neill and Commerce Secretary Evans about Enron's problems. The Cabinet members decide not to intervene.

Oct. 31**:** Enron announces the SEC formal investigation into a possible conflict of interest related to the company's dealings with the partnerships.

Nov. 8: Enron files documents with SEC revising its financial statements for past five years taking away $586 million in profits and adding another $2.5 billion in debt to its books.

Nov. 28: Dynegy backs out of proposed deal to buy Enron after Enron's credit rating is downgraded to junk bond status. Enron shares plunge below $1.

Dec. 2: Enron files for Chapter 11 bankruptcy protection, the biggest bankruptcy petition in U.S. history.

December 3: Enron fires more than 4,000 of its US employees. That same week, it fires more than 1,000 European employees.

2002

Jan. 9-10: Justice Department confirms it has begun a criminal investigation of Enron. The company's auditor, Arthur Andersen LLP, says it has destroyed some Enron documents. The White House discloses Lay sought the administration's help shortly before the company collapsed. Attorney General John Ashcroft, who received campaign funds from the company for his 2000 Senate race, recuses himself from the investigation.

January 19: The White House acknowledges that Vice President Dick Cheney tried to help Enron secure payment last year on a $64 million-dollar debt owed to it by a large Indian energy project.

January 30: The General Accounting Office, the investigative arm of Congress, vows to sue to obtain documents that may show Enron's influence on the Bush administration's energy policy, after the White House claims the papers are privileged.

February 2: A special investigative committee set up by Enron's board of directors reports that an elaborate scheme involving multiple partnerships allowed top Enron executives to inflate earnings by nearly one billion dollars and pocket millions in the process.

February 4: Lay resigns from Enron's board.

March 14: Enron accounting firm Arthur Andersen is indicted by a federal grand jury for obstruction of justice charges for "knowingly, intentionally and corruptly" persuading employees to shred Enron-related documents last October.

March 15: The U.S. government suspends new business dealings with Enron and its former accounting firm Andersen, citing evidence of misconduct by the former energy giant and the criminal indictment of the auditor.

Source: AP, ABC News, Houston Chronicle, and Agence France Presse

Public Pension Fund Enron-related Losses by State
(Tally as of 26 February 2002)

State	Losses	Remarks
Alabama	$48,000,000	
Alaska	$26,000,000	
Arkansas	$5,000,000	Teachers
Arizona	$35,000,000	
California	$300,000,000	Includes Univ. of Calif.
Connecticut	$15,000,000	
Florida	$325,000,000	
Georgia	$127,000,000	
Idaho	$2,000,000	
Hawaii	$11,300,000	
Illinois	$8,000,000	
Kansas	$1,200,000	
Louisiana	$13,000,000	
Maine	$10,000,000	
Massachusetts	$20,000,000	
Minnesota	$20,000,000	
Missouri	$32,000,000	
Nebraska	$9,000,000	
Nevada	$22,000,000	
New Jersey	$60,000,000	
New Mexico	$8,600,000	
New York	$110,000,000	
North Carolina	$15,000,000	
Ohio	$127,000,000	Includes state teacher's funds
Oklahoma	$14,000,000	
Oregon	$50,000,000	
Pennsylvania	$30,000,000	
Rhode Island	$4,700,000	
South Carolina	$4,200,000	
Tennessee	$18,000,000	
Texas	$68,500,000	Includes state teacher's funds
Washington	$103,000,000	
Wisconsin	$43,000,000	
Total As of 2/26/02	$1.69 billion	

Source: American Family Voices, www.thedailyenron.com

Enron and the Bush Administration

Year	Name	Position	Enron Relationship
2001	George W. Bush	Elected President	Received $736,800 from Enron in contributions since 1993
	Dick Cheney	Vice President	His energy task force held six secret meetings with Lay and other Enron officials while developing an administration program that contained special favors for Enron. Refused to release records of those meetings to the GAO
	Ken Lay	Chairman/CEO Enron	Appointed to the Energy Team for Bush transition
	Ed Gillespie	GOP political consultant	Top Enron Washington lobbyist/consultant
	Cynthia Sanderr	Commerce Transition Team	Enron VP of Federal Leg. Affairs. Close to House Whip Tom DeLay.
	Tom Marinis	Justice Transition Team	Lawyer with Enron's law firm, Vinson & Elkins
	Joseph Berardino	Treasury Transition Team	CEO of Enron's auditor, Arthur Andersen
	Harvey Pitt	New Chairman of the Securities & Exchange Commission	Attorney. Represented Arthur Andersen before the SEC
	Nora Brownell	Bush appointee to FERC	Former pro-Enron Commisisioner on Texas PUC under Gov. Bush
	Clay Johnson	White House Personnel Director	Former Houston Energy Lawyer/partner El Paso Energy co.
	Thomas E. White	Army Secretary	Enron Official 19 yrs
	Ted Kassinger	Counsel Commerce Dept	Enron Advisor and Vinson & Elkins Lawyer
	Robert D. Blackwill	US Ambassador to India	Interceded with India on Enron's behalf
	Lewis Libby	Cheney Chief of Staff	Large Enron Shareholder
	John Ashcroft	US Attorney General	Ashcroft received nearly $61,000 from Enron executives, including $25,000 from Lay.
	Lawrence Thompson	Deputy US Attorney General	Enron lawyer with King & Spaulding

	Karl Rove	White House Advisor	Large Enron shareholder
	Alberto Gonzalez	White House Counsel	Lawyer with Enron's law firm Vinson & Elkins
	Spencer Abraham	Secretary of Energy	Abraham, during his years as U.S. senator from Michigan, received $10,000 from Enron's political action committee, most of it for his failed 2000 campaign.
	Larry Lindsey	National Economic Director	Earned $50,000 working as an Enron consultant in 2000.
	Peter Fisher	Undersecretary of Treasury	Owned between $1,000-$15,000 in Enron stock.
	Robert Zoellick	US Trade Representative	Enron consultant
	Charlotte Beers	Under Sec of State	Large Enron Shareholder
	Margaret Tutwiler	Ambassador to Morocco	Large Enron Shareholder
	Nicholas Calio	White Dir. Leg Affairs	Large Enron Shareholder
	Elizabeth Moler	No.2 at Energy Dept.	Enron Lobbyist
	Kathleen Cooper	Undersecretary of Commerce	Owned between $1,000-$15,000 in Enron stock
	John Marburger	Dir. Office of Science & Technology	Owned between $1,000-$15,000 in Enron stock
	Linnet Deilly	Deputy US Trade Representative	Owned between $15,001-$50,000 in Enron stock
	Grant Aldonas	Undersecretary of Commerce	Owned between $15,001-$50,000 in Enron stock
	Kirsten A. Chadwick	White House Legislative Affairs	Former Arthur Andersen lobbyist
	Emil H. Frankel	Asst. Secretary for Transportation Policy	Owned between $1,000-$15,000 in Enron stock
	Eugene Hickok. Jr.	Undersecretary of Education	Family trusts: between $60,000-$200,000 in Enron stock
	Alice h. Martin	US Attorney, Northern District of Alabama	Owned between $1,000-$15,000 in Enron stock
	Sandra L. Pack	Asst. Secretary of Army	Enron Stock valued at time between $5,001-15,000 with capital gains
	Hansford T. Johnson	Asst. Secretary of the Navy	Owned between $1,000$15,000 in Enron stock
	Thomas Scully	HCFA Administrator	Owned between $15,001-$50,000 in Enron stock
	Martin J.	US Ambassador to	Owned between $15,001-

	Silverstein	Uruguay	$50,000 in Enron stock
	William Winkenwerder	Assistant Secretary of Defense	Owned between $1,001-$15,000 in Enron stock
	Mark Weinberger	Asst. Secretary of Treasury, Tax policy	Owned between $1,001-$15,000 in Enron stock
	Vicky A. Bailey	Asst. Secretary of State, International Affairs	Owned between $1,001-$15,000 in Enron stock
	Alexander Vershbow	US Ambassador to Russia	Owned between $50,001-$100,000 in Enron stock
	Marcelle Wahba	US Ambassador to the UAE	Owned between $1,001-$15,000 in Enron stock
	Steven M. Colloton	US Attorney, S.D. & Iowa	Owned between $1,001-$15,000 in Enron stock
	Richard J. Egan	US Ambassador to Ireland	Owned between $100,001-$1, million in Enron stock
	Donald Washington	US Attorney, W.D. Louisiana	Owned between $1,001-$15,000 in Enron stock
	John Prince	US Ambassador, Mauritius, Comoros, Seychelles	Owned between $31,000-$115,000 in Enron stock
	Bruce Carnes	CFO, US Dept. of Energy	Owned between $1,001-$15,000 in Enron stock
	Nils J. Diaz	Commissioner, Nuclear Regulatory Commission	Owned between $1,001-$15,000 in Enron stock
	John S. Wolf	Asst. Secretary of State, nonproliferation	Owned between $50,001-$100,000 in Enron stock
	George L. Argyros	US. Ambassador to Spain	Owned between $100,001-$250,000 in Enron stock
	Stephen F,. Brauer	US Ambassador to Belgium	Owned between $51,001-$100,000 in Enron stock

Source: American Family Voices, www.thedailyenron.com